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MEMO TO: City Council

FROM: Lenda Crawford, Finance Director

DATE: July 5, 2005

SUBJECT: **STAFF REPORT: Financial Status Report for the 1st Quarter, 2005**

This report summarizes the financial performance of the major City funds, including the General, Capital and Enterprise funds for the period January 1 through March 31, 2005. Detailed tables supporting the analysis are included as appendices to this report.

Staff will be present at the July 5th Council meeting to answer any questions on the report. If you have questions prior to that time, please contact either me at 425.556.2160 or Martin Chaw at 425.556.2165.

EXECUTIVE SUMMARY

General Fund: Economic activity within Redmond remained weak through the first quarter. Sales tax revenue was down 7% compared to the same period last year led by a continual decline in construction, telecommunications and manufacturing activities. While residential construction continued at a healthy pace, no major commercial construction occurred during the quarter. The lack of commercial activity served to temper growth in city revenues.

As you can see from the sales tax chart below, Redmond's economy appears to be taking longer to post a sustained turnaround than neighboring jurisdictions such as Bellevue, Kirkland, Issaquah and Bothell. Bellevue's economy is being boosted by a substantial rebound in construction activity while Kirkland, Issaquah and Bothell are benefiting from increased retail and construction activity. Large retail centers such as Seattle and Tukwila also recorded sizable gains for the quarter. Although it is too early to predict whether this weakness in Redmond's sales tax revenue will persist throughout the biennium, it is a cause for concern and will be monitored closely.

First Quarter Sales Tax Collections for Selected Jurisdictions 2003-2005

Historical Jan-Mar (1Q) Sales Taxes for Selected Jurisdictions

Jurisdiction	2003	2004	2005	\$ change 2005 vs 2004	% change 2005 vs 2004
Issaquah	\$1,898,146	\$1,991,934	\$2,219,271	\$227,337	11.4%
Renton	\$3,532,807	\$3,914,770	\$3,763,885	-\$150,885	-3.9%
Kirkland	\$2,680,297	\$2,971,434	\$3,344,305	\$372,871	12.5%
Redmond	\$3,395,084	\$3,926,317	\$3,635,681	-\$290,636	-7.4%
Uninc. King County	\$15,551,274	\$16,526,266	\$17,374,820	\$848,554	5.1%
Seattle	\$25,824,860	\$26,855,551	\$29,397,801	\$2,542,250	9.5%
Bellevue	\$8,365,168	\$8,423,538	\$9,723,717	\$1,300,179	15.4%
Bothell	\$1,857,049	\$1,815,965	\$1,962,254	\$146,289	8.1%
Tukwila	\$3,712,551	\$3,621,837	\$3,791,151	\$169,314	4.7%

Source: Wa. State Department of Revenue

Overall, General Fund expenses were within budget. However, the Fire Department continues to grapple with overtime issues due to disabilities and coverage for sick leave and vacation. Resolution of the overtime issue is a subject currently being pursued as part of labor negotiations.

Some good news from the legislative front, the State Legislature voted to phase in the pension rate increases rather than force cities to fully fund these costs in 2005-06. While this will result in savings for the biennium, it is only a temporary reprieve as the higher increases recommended by the State Actuary will have to be funded by the State and local jurisdictions as early as 2007.

Enterprise Funds: At the end of the first quarter, the City's Water/Wastewater Utility ended with an operating loss of \$507,000 and compares to an operating loss of \$514,000 for the same quarter last year. This is normal for this time of the year and reflects seasonal water sales. From a budgetary perspective, the Utility's revenue increased 4% over the previous year, reflecting the effects of a 2% increase in consumption as well as rate increases for the City (2%) and Metro (9.4%). Utility expenditures were up 2.4% over the previous year but remain within budgeted levels with no significant variances to report.

Water/Wastewater CIP expenditures totaled 4.7% of budget and reflect construction of the 185th Avenue extension project and miscellaneous water improvement projects. CIP expenditures are expected to increase as the Utility begins reconstruction of well #5.

The Stormwater Management Utility ended the quarter with operating income of \$453,000 and compares to an operating margin of \$563,000 for the same period last year. The decline in the Utility's operating income reflects increased expenses for the illicit discharge program, market adjustments for employee salaries, and increased transfers to the Information Technology Fund for technology projects. Revenue for the Utility totaled \$1.7 million and is essentially unchanged from the previous year as the overall rate for stormwater remained at \$11.50. Utility expenditures were within budget and down \$100,000 over the previous year, reflecting a decline in operating transfers to the Utility's CIP. The decline in transfers to the Utility's CIP is a direct result of the revised rate structure for the Utility which eliminated the CIP surcharge and allocated less money for capital projects. The Council has requested further review of these rates in 2005 and Public Works staff is working to schedule this review.

Stormwater CIP expenditures totaled \$224,000 or 2% of budgeted levels. Low CIP expenditures are expected during the first quarter as construction projects are staged to minimize disruption to the environment. Construction activity is expected to increase later in the year with construction of the NE 116th Street culvert and design work for the 85th Street water quality improvement project as well as stormwater management efforts in the Eastside industrial area.

The UPD Utility ended the first quarter with an operating loss of \$365,000, which is \$232,000 greater than the previous year. The deterioration in the Utility's operating position is the result of a decline in development activity which has reduced revenue from the Utility's depreciation rate surcharge and engineering fees. Development fees, however, is anticipated to increase as additional construction occurs in the Trilogy development as well as The Village, a forthcoming shopping mall that will be anchored by a QFC. At the same time development revenues were down, expenses for the Utility increased 58% over the previous year, reflecting higher operating costs. These higher costs include higher purchased water costs, Metro expenses, an accounting change which resulted in capital facility expenses being recorded in the operating fund as opposed to the CIP, and higher depreciation expenses related to construction of Utility facilities. While losses at this time of the year are expected and are anticipated to be partially offset by higher summer water sales, the magnitude of the loss this quarter warrants close monitoring by staff. From a cash perspective, the Utility is able to meet its obligations as it ended the first quarter with cash of \$1.5 million.

No construction has occurred to date on the UPD Utility's water system security project, its sole CIP project in 2005-06. However, construction activity is expected to begin later in 2005 and into 2006 with finalization of plans for enhancing security to the facilities.

Capital Investment Program: Revenues in the City's General Capital Improvement Program were sufficient to support expenditures at the end of the first quarter. Spending on transportation CIP projects represented the majority of expenditures during the first quarter, reflecting construction for the Union Hill Widening project and construction related to the 185th Avenue extension. Both projects are expected to be complete by this summer. Other significant construction projects during the first quarter include the start of construction for Bear Evans Creek phase 1, which should be completed summer 2005.

Of note are updated estimates for the repair and renovation to Fire Station #16. This project involves repairs to the roof and siding for this station due to extensive water damage as a result of improper installation of the roof and siding. The current estimate for these repairs is \$1.25 million and compares to an original budget of \$461,000 of which \$70,000 has been spent. The increased cost reflects more extensive water damage to the building's siding and roof than originally thought. Staff from Finance and Fire are working closely together to evaluate funding options and will be bringing to Council a plan to address this project later this summer.

GENERAL FUND

Excluding the beginning fund balance, the operating margin for the General Fund was negative for the first quarter with ongoing revenues totaling \$9.7 million versus expenditures of \$12.3 million. This is fairly typical for the first quarter as the city does not receive the majority of its first installment of property taxes until May/June. It is also important to note that the General Fund began the year with a fund balance of \$5 million. Of this amount, \$3.3 million is committed to programs/services and the remaining \$1.7 million is held as an economic contingency in the event of further economic weakness. After factoring in the cash dedicated to programs/services, revenues were sufficient to cover expenses. For more information regarding General Fund revenues and expenditures, please refer to the following sections.

Revenues

General Fund revenues increased 7.7% over the first quarter of last year primarily due to higher business license fees. These fees were increased from \$12.50 in 2004 to \$28.25 in 2005 to help balance the budget for the biennium. Excluding business licenses, revenues declined by approximately \$300,000 primarily due to weaker sales and telephone utility tax collections, development review fees and investment interest.

Business licenses: Business license revenue to the General Fund totaled \$1.8 million and is running approximately 4% ahead of budget and reflects an increase in the number of employees over the amount included in the budget. The budget assumed total taxable employees of 61,244; actual employees registered to date are 63,445.

Sales taxes: Sales tax collections totaled \$3.6 million for the quarter compared to \$3.9 million during the same period last year. Weakness was noted locally in the construction, telecommunications and manufacturing sectors of the economy. Sales taxes from retailers continued to expand, growing by 3.2% year-over-year.

**First Quarter Sales Tax Collections by Sector
2003-2005**

	2003	2004	2005	\$ change 2005 vs 2004	% change 2005 vs 2004
Construction	403,109	597,305	442,583	(154,723)	-25.9%
Retail	1,388,369	1,605,224	1,655,987	50,763	3.2%
Telecommunications	235,137	436,786	299,760	(137,026)	-31.4%
Manufacturing	144,827	131,928	69,979	(61,948)	-47.0%
Other	1,223,642	1,155,074	1,167,372	12,298	1.1%
Total	3,395,084	3,926,317	3,635,681	(290,636)	-7.4%

Source: WA State Department of Revenue

Telephone Utility Taxes: Despite the increase in the telephone utility tax rate from 5.5% in 2004 to 5.8% in 2005, telephone utility tax collections are down nearly 10% over the same period last year. This decline is primarily due to a shift in the marketplace where consumers are abandoning landlines exclusively for cell phones, capitalizing on telephone offerings over the Internet and continuing to seek out cheaper long distance alternatives such as phone cards. It is important to note that the decline in landlines has not resulted in an increase in cellular revenues as cellular phones have become a commodity and price plans continue to be more attractive and less costly.

Development revenues: Development related revenues were also down in the first quarter compared to the same period last year. Revenues came in at \$812,000 versus \$879,000.

Residential building permits continue to perform strongly with collections at \$357,000 or 26% of budgeted levels for the biennium. While permit revenue for commercial projects increased over the previous year, total collections in this category were very small as no major commercial projects came in during the quarter. Contributing to the weakness were also multi-family, tenant improvements and mechanical permit fees which were down 84%, 39% and 34%, respectively.

First Quarter Development Revenues 2003-2005

	2003	2004	2005	\$ change 2005 vs 2004	% change 2005 vs 2004
Residential Bldg. Permits	155,508	194,912	357,830	162,918	83.6%
Commerical Bldg. Permits	141,806	23,653	39,802	16,149	68.3%
Multifamily Bldg. Permits	68,485	45,471	7,232	(38,240)	-84.1%
Tenant Improvement Bldg.	29,969	119,705	72,665	(47,040)	-39.3%
Mechanical Permits	166,635	204,274	134,811	(69,463)	-34.0%
Inspection and Plan Review	171,751	263,348	173,486	(89,862)	-34.1%
3% Technology Surcharge	17,747	27,208	26,654	(554)	-2.0%
Total	751,902	878,571	812,478	(66,093)	-7.5%

Investment interest: Interest earnings for the General Fund continue to remain weak as the cash balance for the General Fund continues to decline in relationship to other city funds. The return on the city's portfolio has improved as interest rates have risen, however, the General Fund is receiving a smaller share of the interest allocation as its cash balance as a percent of the portfolio has declined from a high of 19% in 1998 to 6% today.

Other revenues appear to be on target.

Expenditures

General Fund expenditures totaled \$12.3 million or 11.2% of budgeted levels. Expenditures for all departments were within budgeted levels except for the Fire Department which spent 13.3% of its budget during the first quarter. As a general rule of thumb, departmental expenditures should be no more than 12.5% of budget at this point in time.

Fire Department expenses are running slightly ahead of budget primarily due to overtime and the timing for the billing for Bellevue dispatch. The department continues to grapple with overtime issues as disabilities increase and the cost of covering sick leave and vacation grow. Overtime expenditures for the Fire Department totaled \$116,000 through the first quarter, or 16% of budget. These costs are expected to rise even faster later in the year during peak vacation times. Overtime within the department has been an issue for several years and efforts are ongoing to try and resolve the structural problem which underlies this cost. Until an agreement to modify the current practice is reached, these costs will continue to be problematic for the department. In addition, fire dispatch is at 25% of budget, but this is due to timing of bill payments; the department pays half of the bill in March and the remainder in September of each year.

Partially offsetting overtime expenses in the Fire Department are savings in the Department's repairs/maintenance expenses. While the Department is under-spending its repairs/maintenance line item, it is important to note that deferral of routine maintenance is a temporary fix and could result in higher costs in the future due to more frequent equipment break downs.

It is important to note that while the Police Department is within its budget for the quarter, its overtime expenses are over budget. Overtime totaled \$134,000 or 25% of budget as a result of several intensive criminal investigations. These expenses are being offset by savings as a result of vacancies within the department and the timing of billings for jail services. Currently, there are 2 officer positions open within the department, generating salary/benefit savings which are offsetting the higher overtime costs. Officer vacancies have been steadily filled over the past several months, declining from 5 in July 2004 to 2 in March 2005. In addition, through the first three months of 2005, the city has only received one month of jail billings totaling \$37,000 or 2.6% of budget. Once the department is fully staffed and jail bills are received and recorded, expenditure levels within Police will increase fairly significantly.

On a brighter note, the State Legislature approved the phase-in of higher pension rates which were of much concern to local jurisdictions. The State Actuary recommended that employer rates for PERS and LEOFF employees be increased starting July 1, 2005. The recommended rates for PERS were increasing from 1.19% to 5.08% or 327% and LEOFF 2 rates were rising 41% from 3.06% to 4.32%. The estimated impact citywide was \$1.6 million and the General Fund's share was \$1.0 million over the 2005-06 biennium. The final plan approved by the State Legislature provided for the phase-in of these rates. Under the new plan, PERS rates will increase from 1.19% to 2.25% in 2005 and 3.50% in 2006. LEOFF 2 rates will go from 3.06% to 4.05% in 2005, 4.53% in 2006, and eventually rise to 5.09% by 2008. These lower rates results in a revised fiscal impact of \$641,000 citywide, with \$435,000 attributable to the General Fund during the 2005-06 biennium, or savings of approximately \$946,000 and \$596,000 respectively. It is important to keep in mind that the savings generated from the State's actions are only one-time in nature as the above revised PERS/LEOFF rates do not fully fund the State retirement system. Further changes are anticipated following a scheduled ruling on future rates by the State Pension Funding Council in September 2006. Depending upon the ruling from the State Pension Funding Council, the City may need to fund these costs possibly as early as 2007 at the levels originally recommended by the State Actuary.

General Fund Department Expenditures January – March 2005

DEPARTMENTAL EXPENDITURES	2005-06 Budget	1Q 2005	% Spent
Fire	22,590,286	2,998,850	13.3%
Police	22,927,741	2,485,425	10.8%
Non-Departmental	15,238,801	1,371,712	9.0%
Public Works	14,945,128	1,742,316	11.7%
Finance and IS	11,003,318	1,282,963	11.7%
Planning	10,545,344	1,117,087	10.6%
Parks and Recreation	8,523,286	893,240	10.5%
Human Resources	1,813,625	190,506	10.5%
Legal	1,387,236	93,040	6.7%
Executive	1,078,984	126,824	11.8%
Legislative	324,632	27,203	8.4%
TOTAL EXPENDITURES	110,378,381	12,329,165	11.2%

ENTERPRISE FUNDS

During the first three months of the 2005-06 biennium, the Water/Wastewater and Stormwater Utilities operated within expectations while the UPD Utility posted a loss that was higher than expected. The Water/Wastewater Utility ended the period with an operating loss similar to previous periods, reflecting the effects of seasonal water sales. The Stormwater Management Utility ended with a positive operating margin. The UPD Utility however ended the quarter with a larger than expected operating loss due to a decline in revenue from development activity and significantly higher operating costs. While an operating loss for the UPD is normally expected at this time of year, the magnitude of the loss warrants close monitoring by staff. Following are more details on the financial performance of each Utility.

Water/Wastewater Utility

At the end of the first quarter, the Water/Wastewater budget continues to represent a sound operating plan for the Utility. Excluding the beginning fund balance, revenues at \$4.2 million are on target. Expenses are running approximately 1.5% below budget at this point. The Utility's cash position is stronger than anticipated as it began the year with a beginning fund balance of \$4.2 million versus a budget of \$2.5 million. The larger fund balance was due to three things: 1) release of the debt service reserve fund now that all outstanding water/sewer bonds have been retired, 2) a \$200,000 excise tax refund from the State, and 3) a \$600,000 distribution from the City of Seattle via Cascade Water Alliance which represents Redmond's share of the rate stabilization account previously held by Seattle to mitigate future rate increases. The transition to Cascade has eliminated the need for this account.

Overall, revenues were up 4% over the same period last year reflecting a 2% rate increase which took effect at the beginning of the year as well as a 2% increase in consumption. Revenue from water/sewer rates, which totaled \$2.1 million or 9% of budget, is consistent with the rate study and the seasonal pattern of water sales. Revenue from Metro wastewater treatment fees at \$1.8 million was up \$100,000 over last year, reflecting a 9.4% rate increase which took effect January 1. It is important to note that the METRO margin was negative for the quarter with expenses exceeding revenues by approximately \$100,000. However, this is not a cause for concern as it reflects a timing difference between when METRO revenues are received vs. when payments are made.

Expenditures for the Utility totaled \$4.7 million during the first quarter and are running 1.5% below budget and consistent with previous years' spending patterns. Other than METRO, which was discussed above, there are no major variances noted at this time.

Although from a budget and a cash flow perspective the Utility fared very well during the quarter, the Utility posted an operating loss from an income statement perspective. The loss of \$507,000 is very similar to the amount recorded during the first quarter of the previous year. An operating loss is typical for this time of the year, due to the seasonality of water/sewer sales, and is expected to be offset by positive operating margins during the summer and fall when water/sewer sales increase.

Expenditures for the Water/Wastewater Utility CIP totaled \$665,000 or 4.7% of budget and compares to \$493,000 for the same period last biennium. Expenditure activity for the Utility CIP is expected to increase later this year with the reconstruction of well #5. Expenditures during the first quarter included construction of the 185th Avenue extension project and miscellaneous water system improvements.

Stormwater Management (SWM) Utility

The Stormwater Management Utility ended the first quarter on target. Both revenues and expenditures totaled \$1.7 million and were consistent with the same period last year. Although the \$3/month capital improvement program (CIP) surcharge was eliminated at the end of 2004, it was replaced by a corresponding increase in the base Stormwater rate thereby mitigating the impact on overall revenues. It is important to note that under the new rate structure, less money is being transferred to the CIP in 2005-06 compared to 2003-04 as operational costs have increased and overall revenues are unchanged. The lower CIP revenue allows the City to be only partially compliant with Stormwater environmental regulations. The Council has committed to further review these rates in 2005.

The Utility's financial position continued to be positive. It started the year with a cash balance of \$1.1 million, which was approximately \$500,000 above its operating reserve requirement. From an income statement perspective, the Utility ended with a positive operating margin of \$453,000 as compared to \$563,000 for the same time last year. General operating costs increased by approximately \$90,000 due to the illicit discharge program, salary and benefit adjustments and higher costs for technology related projects.

Expenditures for the SWM CIP totaled \$224,000 or 2% of budget and compares to \$177,000 for the same period last year which was spent mainly for the Idylwood Stream rehabilitation project. Significant projects scheduled for 2005 include construction of the NE 116th Street culvert this summer and project design associated with the 85th Street water quality improvements and the Eastside industrial area basin stormwater management project.

Urban Planned Development Utility

The UPD Utility did not meet expectations for the first quarter. Operating revenues were down 23% from last year. While revenue from water/sewer rates and Metro wastewater treatment fees rose over the previous period, gains in these areas were offset by lower revenues from the depreciation rate surcharge and development review engineering fees as a result of lower than anticipated development activity.

Lower revenues from the depreciation rate surcharge and development review fees reflect a lower level of development during the first quarter of 2005 compared to 2004. Development related revenue in the master planned development slowed but is expected to improve with additional construction of 800 lots in late 2005 or early 2006. In addition, construction of The Village shopping center has started and will also result in additional development revenues. Both water and METRO revenues increased by 30% each as consumption rose and METRO raised its base rates.

While revenue is down for the UPD, expenditures for the Utility increased significantly during the first quarter. They were up \$230,000 or 58% due to higher operating costs, purchased water, a METRO rate hike, an accounting change which resulted in the regional capital facilities charge being reported in the operations fund vs. the CIP and higher depreciation expenses related to increased infrastructure.

Although cash was sufficient to meet the financial obligations of the Utility, from a financial statement perspective, the Utility ended the first quarter with a operating loss of \$365,000 as compared to an operating loss of \$133,000 for the same period last year. While it is fairly typical for this utility to incur a loss during the first quarter due to the seasonality of water sales, there is a cause for concern because the loss is significantly larger than last year. Staff will monitor this situation closely.

No expenditure activity occurred in the Utility's CIP. The Utility's sole CIP project is \$150,000 for water system security improvements. This system entails designing and installing an electronic card reader system to ensure facility security. Construction is scheduled to begin in late 2005 or 2006.

CAPITAL INVESTMENT PROGRAM

Revenues during the first quarter totaled \$53.3, which included \$46 million in beginning resources. Excluding beginning resources, CIP revenues totaled \$7.3 million or 17% of budgeted levels and were sufficient to meet expenditures of \$2.5 million. Significant projects during the first quarter included widening of Union Hill Road, 185th Avenue Extension and construction of phase 1 of the Bear/Evans Creek parks project. Following is a summary of CIP revenue performance as well as expenditure activity within each functional area.

CIP Revenues

Beginning fund balance: The CIP program began the 2005-06 biennium with \$46 million in beginning resources which was approximately \$500,000 lower than the budget. The lower fund balance was primarily due to projects proceeding faster than originally forecasted.

Real Estate Excise Tax (REET): These revenues totaled \$393,000 or 4.3% of the biennial budget and compares to \$276,000 for the same period last biennium. Single family home sales continue to remain strong.

Business license surcharge: Revenue from the City's business license surcharge totaled \$3.4 million or 55% of budgeted levels and is ahead of budget and reflects an increase in the number of taxable employees over and above budgeted amounts. The budget assumed 61,244 taxable employees; actual employees to date are 63,445.

Impact fees: Impact fee revenue totaled \$433,000 or 15.7% of budgeted levels and compare to \$810,700 during the same period last year. Impact fees can vary significantly as these revenues are deposited into the CIP upon completion of private development projects.

Federal/State/Local grants: No grant revenues were received during the first quarter. These revenues are received on a reimbursement basis only. Approximately \$3.0 million in grants is expected in 2005-06 from the state, King County and the federal government for parks and transportation projects.

Investment interest: Investment earnings totaled \$211,000 or 11.7% of budget and compares to \$372,000 for the same period last year. Although portfolio returns continue to improve, the CIP began the year with a cash balance that was approximately \$500,000 lower than budget, reducing the amount of allocable interest.

CIP Expenditures

Expenses within the CIP were lower during the first quarter of 2005 compared to 2004. Total expenses were \$2.5 million compared to \$4.2 million for the same period last year and reflect a lower level of activity both in the Parks and Transportation functional areas due to the timing of capital projects. The largest expenses within the CIP were for transportation improvements. Following are more details regarding the various functional areas.

Parks CIP totaled \$154,000 or 1.3% of budgeted levels and declined from \$631,000 for the same period last year, which reflected construction activity related to Perrigo Park. The majority of expenditures to date reflect the start of construction for Bear Evans Creek phase 1, completion of which should occur in the summer of 2005.

Spending in the **Transportation CIP** totaled \$2.0 million or 7.4% of budget and declined from \$3.3 million during the same period last year as 2004 activities reflect significant construction activity related to the 140th Sidewalk Improvements projects. Of the \$2.0 million in expenditures during the first quarter of 2005, approximately \$1.5 million was for the Union Hill widening

project and 185th street extension. Both projects are currently under construction and should be completed by July 2005. Other major projects scheduled for 2005 include replacement of the York Bridge on NE 116th, improvements to NE 83rd Street, and widening of Redmond Way/SR 202, which is currently under construction.

Fire CIP expenditures amounted to \$118,000 or 6.8% of budgeted levels and reflect transfers to the Fire Equipment Replacement Reserve fund and the Parks CIP program. The Fire CIP makes an annual contribution of \$200,000 to the equipment replacement fund for the future replacement of apparatus that has reached its useful lives. For the 2005-06 biennium, the Fire CIP program is budgeted to transfer \$366,932 to the Parks CIP program.

A significant future expense for the Fire CIP are roof and siding repairs to Fire Stations #14, 15 and 16. Engineering review of the needed repairs is continuing and the total value of the repairs is currently estimated to cost approximately \$2.8 million. At this time, sufficient funding exists within the Fire CIP to address these repairs as the program has \$1.7 million as a contingency for future fire station renovations, \$360,000 of remaining resources for Fire Station #12/16 roof repairs and a six year ending fund balance of \$862,000. However, assessments of the repair needs of each station is not complete and costs may change depending upon the outcome of these reviews. The Fire Department plans to brief the Council on the scope and cost of these repairs later this summer.

The **Police Department** spent \$79,000 or 2% of its budget during the first quarter for the acquisition of mobile data terminals for police cruisers and transfers to the Parks CIP program. Design of the Police Department evidence area is currently underway with construction planned in 2006.

Expenses within the **General CIP** functional area expenditures came in at \$85,000 or .8% of budgeted levels and reflect budgeted transfers to the Transportation CIP program and expenses related to City Hall construction.

APPENDIX

**General Fund Revenues and Expenditures
January 1, 2005 - March 31, 2005**

REVENUE COLLECTIONS		2005-06 Budget	1Q 2005	% Received	1Q 2004	% Received	1Q 2003	% Received
Beginning Fund Balance		1,139,447	1,730,954	151.9%	-	0.0%	1,737,773	104.5%
Economic Contingency - used		1,600,000	1,600,000	100.0%	-	0.0%	n/a	0.0%
Economic Contingency - remaining		n/a	1,700,000	n/a	-	0.0%	3,300,000	n/a
Total Beginning Resources		2,739,447	5,030,954	183.6%	0	0.0%	5,037,773	100.0%
Sales Taxes		36,562,000	3,635,681	10.0%	3,926,317	11.2%	3,395,084	9.7%
Use Taxes		86,100	13,492	10.0%	16,954	0.0%	9,787	0.0%
Sales Tax on Construction		(2,200,000)	(275,000)	12.5%	(275,000)	12.5%	(275,000)	12.5%
Sales Tax - Criminal Justice		1,981,171	242,947	12.3%	242,365	12.5%	224,640	11.6%
Property Taxes		21,342,852	94,559	0.4%	107,150	0.5%	80,679	0.4%
Utility Taxes								
Electricity		7,847,841	1,020,280	13.0%	974,725	13.2%	909,921	12.3%
Telephone		7,381,013	663,060	9.0%	734,607	9.9%	861,576	11.6%
Natural Gas		1,540,730	394,384	25.6%	335,378	16.8%	221,280	11.1%
Garbage Collection		913,545	0	0.0%	162	0.0%	106,439	11.6%
Cable Television		1,120,209	0	0.0%	-	0.0%	0	0.0%
Subtotal: Utility Taxes		18,803,338	2,077,725	11.0%	2,044,872	11.0%	2,099,216	11.2%
Development Fees		7,043,008	812,478	11.5%	878,571	11.1%	751,902	9.5%
Intergovernmental								
Fire & Emergency Services		10,424,656	77,133	0.7%	12,307	0.1%	12,174	0.1%
Overhead Fees		4,509,537	557,340	12.4%	595,405	12.4%	592,210	12.3%
Motor Vehicle Fuel Taxes		1,300,000	159,295	12.3%	153,544	11.2%	158,129	11.6%
Liquor Profits & Taxes		962,789	133,765	13.9%	118,413	14.6%	134,390	16.6%
Federal/State/Local Grants & Paymnts		92,066	7,500	8.1%	-	0.0%	14,700	3.3%
Subtotal: Intergovernmental Revs		17,289,048	935,034	5.4%	879,669	5.2%	911,602	5.3%
Other								
Investment Interest		669,564	59,874	8.9%	107,232	4.4%	147,736	6.0%
Business Licenses		3,530,277	1,773,098	50.2%	745,375	47.6%	904,704	57.7%
Business License Penalties		118,214	34,841	29.5%	48,674	81.1%	358,824	598.0%
Admissions Tax		977,505	105,777	10.8%	110,484	12.2%	92,745	10.3%
Facility use/rent		169,962	30,290	17.8%	23,641	29.6%	18,407	23.0%
Gaming Tax		88,104	10,125	11.5%	9,718	8.1%	6,841	5.7%
Fines and Forfeitures		198,652	17,625	8.7%	19,159	6.5%	48,128	16.2%
Licenses and Permits		222,569	17,657	7.9%	13,105	9.9%	18,133	13.7%
Other		756,570	57,070	7.6%	49,214	11.5%	29,728	6.9%
Subtotal: Other		6,731,417	2,123,981	31.6%	1,171,761	17.8%	1,673,273	25.5%
Total Revenues		110,378,381	14,691,851	13.3%	8,992,659	8.4%	13,908,957	13.0%
Subtotal Revenues (excl beg. resources)		107,638,934	9,660,897	9.0%	8,992,659	8.6%	8,871,184	8.4%
DEPARTMENTAL EXPENDITURES		2005-06 Budget	1Q 2005	% Spent	1Q 2004	% Spent	1Q 2003	% Spent
Fire		22,590,286	2,998,850	13.3%	2,735,929	11.5%	2,458,518	10.4%
Police		22,927,741	2,485,425	10.8%	2,331,556	11.3%	2,205,352	10.7%
Non-Departmental		15,238,801	1,371,712	9.0%	1,219,098	10.5%	1,362,626	11.7%
Public Works		14,945,128	1,742,316	11.7%	1,876,162	11.6%	1,702,775	10.5%
Finance and IS		11,003,318	1,282,963	11.7%	919,179	9.0%	1,075,324	10.6%
Planning		10,545,344	1,117,087	10.6%	1,129,084	10.4%	1,125,220	10.3%
Parks and Recreation		8,523,286	893,240	10.5%	904,005	9.9%	865,593	9.5%
Human Resources		1,813,625	190,506	10.5%	172,783	9.9%	166,426	9.6%
Legal		1,387,236	93,040	6.7%	142,406	10.4%	110,381	8.1%
Executive		1,078,984	126,824	11.8%	118,921	11.8%	117,372	11.7%
Legislative		324,632	27,203	8.4%	33,183	10.5%	28,783	9.1%
TOTAL EXPENDITURES		110,378,381	12,329,165	11.2%	11,582,306	10.9%	11,218,370	10.5%

**City W/WW Utility Operating Budget Summary
January 1, 2005 - March 31, 2005**

Water / Wastewater Utility	2005-06 Budget	1Q 2005	% of Budget	1Q 2004	% of Budget	1Q 2003	% of Budget
Beginning Fund Balance	2,589,582	4,246,907	0.0%	-	0.0%	1,689,630	87.0%
Engineering Fees	533,714	37,855	7.1%	39,319	7.1%	34,657	6.3%
Water & Sewer Rate Revenues	24,170,910	2,076,486	8.6%	2,012,515	9.2%	1,963,790	9.0%
Regional Capital Facility Charge Revenue	1,545,000	122,914	8.0%	141,574	25.7%	4,139	0.8%
Metro Sales	15,635,376	1,845,649	11.8%	1,745,585	12.7%	1,686,389	12.3%
Other Revenues	434,789	74,943	17.2%	59,199	21.3%	161,624	58.0%
Total Revenue	42,319,789	4,157,846	9.8%	3,998,192	10.8%	3,850,599	10.4%
Total Resources Including Beginning Fund Balance	44,909,371	8,404,753	18.7%	3,998,192	10.3%	5,540,229	14.2%
Operating Expenditures	11,819,256	1,212,666	10.3%	1,217,393	12.0%	1,008,313	9.9%
Metro Wastewater Treatment	15,635,376	1,948,752	12.5%	1,755,209	12.8%	1,743,011	12.7%
Water Purchases	6,102,540	528,131	8.7%	547,549	8.6%	187,723	2.9%
Regional Capital Facility Charge pass-thru to CWA	1,500,000	119,988	8.0%	137,025	24.9%	-	0.0%
WWW Revenue Bonds Debt Service	301,153	38,593	12.8%	39,479	1.4%	183,315	6.4%
Transfer to General Fund	2,404,288	296,811	12.3%	340,156	13.3%	343,335	13.4%
Transfers to CIP	4,685,755	511,871	10.9%	508,909	13.4%	478,813	12.6%
Total Expenditures before Ending Fund Balance	42,448,368	4,656,812	11.0%	4,545,720	11.4%	3,944,510	9.9%
Ending Fund Balance	2,461,003						
Total Expenditures including Ending Fund Balance	44,909,371						
Operating Income (Loss)							
1Q 2005		(507,426)					
1Q 2004		(514,214)					
Water/Wastewater CIP							
Capital improvements	14,150,000	664,937	4.7%	337,262	1.5%	493,382	2.2%
Fund Balance	3,389,156						
Total	17,539,156						

**City SWM Utility Operating Budget Summary
January 1, 2005 - March 31, 2005**

Stormwater Mgmt Utility	2005-06 Budget	1Q 2005	% of Budget	1Q 2004	% of Budget	1Q 2003	% of Budget
Beginning Fund Balance	890,789	1,065,714	0.0%	0	0.0%	1,925,644	100.0%
Engineering Fees	225,801	5,701	2.5%	19,083	9.5%	20,230	10.1%
SWM Rate Revenue	14,030,267	1,718,829	12.3%	1,273,069	12.1%	1,255,684	11.9%
CIP Surcharge	0	0	0.0%	449,389	12.1%	443,252	11.9%
Other Revenue	34,738	4,555	13.1%	7,765	19.3%	10,851	27.0%
Total Revenue	14,290,806	1,729,086	12.1%	1,749,306	12.1%	1,730,017	11.9%
Total Resources Including Beginning Fund Balance	15,181,595	2,794,800	18.4%	1,749,306	10.7%	3,655,661	22.3%
Operating Expenditures	7,959,951	908,079	11.4%	817,741	11.8%	936,406	13.5%
Transfers to GF	1,639,809	202,436	12.3%	218,900	12.7%	200,313	11.6%
Transfers to CIP	4,425,216	572,767	12.9%	747,877	12.8%	701,240	12.0%
Total Expenditures before Ending Fund Balance	14,024,976	1,683,281	12.0%	1,784,518	12.3%	1,837,959	12.7%
Ending Fund Balance	1,156,619						
Total Expenditures including Ending Fund Balance	15,181,595						
Operating Income (Loss)							
1Q 2005		452,714					
1Q 2004		563,215					
SWM CIP							
Capital improvements	11,414,589	224,143	2.0%	258,071	2.1%	177,399	1.4%
Fund Balance	716,388						
Total	12,130,977						

UPD Utility Operating Budget Summary
January 1, 2005 - March 31, 2005

UPD Utility	2005-06 Budget	1Q 2005	% of Budget	1Q 2004	% of Budget	1Q 2003	% of Budget
Beginning Fund Balance	945,749	1,109,332	0.0%	0	0.0%	1,294,416	100.0%
Engineering Fees	667,768	4,408	0.7%	75,673	9.4%	128,250	16.0%
Water & Sewer Rate Revenue	4,484,833	169,712	3.8%	130,418	5.1%	81,053	3.2%
Regional Capital Facility Charge Revenue	1,067,420	83,963	7.9%	13,327	1.1%	4,080	0.3%
Metro Sales	2,015,165	103,711	5.1%	80,488	12.5%	51,446	8.0%
Other Revenue	525,835	30,896	5.9%	119,473	22.3%	85,958	16.0%
UPD Depr Rate Surcharge	732,750	29,720	4.1%	128,075	17.1%	79,900	10.7%
Total Revenue	9,493,771	422,410	4.4%	547,454	8.5%	430,687	6.7%
Total Resources Including Beginning Fund Balance	10,439,520	1,531,742	14.7%	547,454	7.0%	1,725,103	22.2%
Operating Expenditures	2,439,656	241,887	9.9%	213,887	9.9%	224,605	10.4%
Metro Wastewater Treatment	1,810,372	139,588	7.7%	80,487	15.2%	51,447	9.7%
Water Purchases	1,599,039	140,389	8.8%	104,295	11.2%	25,521	2.7%
Regional Capital Facility Charge pass-thru to CWA	1,000,000	87,769	8.8%	0	0.0%	0	0.0%
Transfer to CIP	2,256,773	18,750	0.8%	0	0.0%	0	0.0%
Total Expenditures before Ending Fund Balance	9,105,840	628,383	6.9%	398,669	5.4%	301,572	4.1%
Ending Fund Balance	1,333,680						
Total Expenditures including Ending Fund Balance	10,439,520						
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Operating Income (Loss)							
1Q 2005	(365,033)						
1Q 2004	(132,562)						
<hr/>							
UPD CIP							
Capital improvements	150,000	0	0.0%	0	0.0%	18,734	0.6%
Fund Balance	4,601,166						
Total	4,751,166						

Capital Improvement Program Revenues and Expenditures
January 1, 2005 - March 31, 2005

REVENUE CATEGORIES	2005-06 Budget	1Q 2005	% of Budget	1Q 2004	% of Budget	1Q 2003	% of Budget
General Fund	5,571,516	703,721	12.6%	492,909	9.2%	684,207	12.7%
Real Estate Excise Tax (REET)	5,440,000	393,051	7.2%	275,691	6.5%	476,530	11.2%
Sales Tax on Construction	2,200,000	275,000	12.5%	275,001	12.5%	275,001	12.5%
Business License Surcharge [1]	6,208,157	3,446,838	55.5%	3,217,610	61.4%	3,922,372	74.8%
Impact Fees	2,760,000	433,476	15.7%	810,700	15.6%	629,358	12.1%
Private Contributions	100,000	41,632	41.6%	755,716	178.7%	292,574	69.2%
Federal/State Grants	2,994,467	0	0.0%	-	0.0%	0	0.0%
Investment Interest	1,795,685	210,585	11.7%	371,873	16.9%	474,126	21.6%
Sammamish River Park sale	2,040,000	0	0.0%	-	0.0%	0	0.0%
Vehicle registration fees - local Option	0	0	0.0%	-	0.0%	9,992	1.2%
Half-cent motor vehicle fuel tax	600,000	74,481	12.4%	71,792	11.5%	73,936	11.8%
Loan Proceeds	0	0	0.0%	-	0.0%	0	0.0%
Operating Transfers	10,611,643	1,735,449	16.4%	648,000	3.6%	556,228	3.1%
Other Revenue [2]	209,000	17,677	8.5%	14,932	7.9%	4,680	2.5%
Major Revenue Source Subtotal	40,530,468	7,331,910	18.1%	6,934,224	12.0%	7,399,002	12.8%
Beginning Fund Balance	46,456,460	45,978,473		0	0.0%	47,864,212	99.7%
TOTAL CIP REVENUES	86,986,928	53,310,383	61.3%	6,934,224	6.6%	55,263,214	52.3%

CIP FUNCTIONAL AREA EXPENDITURES	2005-06 Budget	1Q 2005	% of Budget	1Q 2004	% of Budget	1Q 2003	% of Budget
Council CIP	3,239,243	0	0.0%	-	0.0%	0	0.0%
Parks CIP	12,282,881	154,416	1.3%	630,702	3.4%	300,621	1.6%
Transportation CIP [1]	27,359,017	2,024,740	7.4%	3,255,157	6.0%	1,029,001	1.9%
Fire CIP	1,725,641	117,866	6.8%	99,000	5.0%	49,012	2.5%
Police CIP	4,524,029	78,831	1.7%	906	0.0%	23,744	0.7%
General Government CIP	10,572,780	85,177	0.8%	200,020	1.6%	12,290	0.1%
Total CIP Expenditures Subtotal	59,703,591	2,461,028	4.1%	4,185,785	4.5%	1,414,667	1.5%
Real Estate Excise Tax Transfers	9,042,707	1,575,677	17.4%	525,000	12.4%	525,000	12.4%
Ending Fund Balance	18,240,630						
TOTAL CIP EXPENDITURES	86,986,928						

[1] Excludes Business Tax dedicated to Transportation Demand Management projects which are accounted for outside of the CIP.

[2] Other revenue represent BROTS revenue from the City of Bellevue for developer projects.